



*United States Attorney
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE
MARVIN SMILON, HERBERT HADAD,
MICHAEL KULSTAD
PUBLIC INFORMATION OFFICE
(212) 637-2600

EVAN T. BARR
(212) 637-2551

**U.S. CHARGES BROOKLYN RABBI IN SCHEME TO DIVERT FEDERAL
GRANT MONEY INTENDED TO AID DISABLED PRESCHOOLERS**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced that Rabbi MILTON BALKANY, a/k/a/ "Yehoshua Balkany," was arrested today on charges that he misappropriated approximately \$700,000 in federal grant money.

According to a four-count Complaint unsealed today in Manhattan federal court, BALKANY, the President and Director of Bais Yaakov, a Jewish day school located at 1362 49th Street in Brooklyn, applied for, in November 1999, and later received a \$700,000 Congressional "Economic Development Initiative" grant administered through the auspices of the United States Department of Housing and Urban Development ("HUD").

According to the Complaint, BALKANY represented to HUD that the entire grant amount would be used to pay off a mortgage

on a building located on the Bais Yaakov property for an entity called "the Children's Center of Brooklyn" to house educational and therapeutic programs for disabled preschool children.

According to the Complaint, in November 2001, HUD auditors began a preliminary investigation of a number of "Economic Development Initiative" grants that had been awarded in the New York metropolitan area, including the \$700,000 "Children's Center" grant. In connection with the investigation, HUD auditors allegedly learned that the "Children's Center" had failed to file any of the regular progress reports required under HUD rules and procedures.

When auditors interviewed BALKANY, he insisted the funds had been used to convert a Bais Yaakov building into the "Children's Center" but he refused to provide the auditors with access to the school's books and records, according to the Complaint.

Subsequently, according to the Complaint, HUD investigators obtained records for the Bais Yaakov account at Chase Manhattan Bank into which the grant money had been deposited. Those records reflected that all of the money received from HUD in December 1999 had been withdrawn from the account by early February 2000, a two-month period in which BALKANY wrote more than 250 checks drawn against the account.

According to the Complaint, further investigation revealed that only one check, for approximately \$6000, was used to pay down any of the pending mortgages against the Bais Yaakov property, which at the time of the grant totaled more than \$1 million.

The Complaint states that, instead of paying down the mortgages as required under the HUD grant, BALKANY instead diverted the funds to an array of individuals and entities who were not entitled to the earmarked funds. For example, BALKANY diverted \$300,000 to an Israeli corporation in which his son-in-law was an officer, and another \$5,000 to a New York import company whose president was married to one of BALKANY's daughters. According to the Complaint, BALKANY also diverted approximately \$80,000 to a variety of other rabbis and Jewish schools and organizations located in Brooklyn.

In addition, it is charged, during the relevant time period, BALKANY wrote out 32 checks against the Bais Yaakov account, totaling approximately \$78,000, all made payable to "Rabbi Balkany" which were subsequently endorsed by BALKANY and either cashed or deposited into a personal account maintained by BALKANY at another bank.

According to the Complaint, the investigation also revealed use of thousands of dollars in HUD grant funds to pay for personal items such as BALKANY's life insurance premiums;

credit card bills (including charges incurred for restaurant meals, clothing, electronics and gasoline); and for payment of BALKANY's personal federal income taxes.

According to the Complaint, in a tape-recorded conversation with a HUD official made in connection with the investigation in March 2003, BALKANY stated that the grant "monies went for different buildings and different aspects in the building, it was all, it was not operation budget it was basically, um, capital, capital improvement or capital acquisition."

The Complaint states that in addition to the \$700,000 grant, Bais Yaakov received other "Economic Development Initiative" grants through HUD for fiscal year ("FY") 1999 (\$2 million), FY 2001 (\$205,000) and FY 2002 (\$500,000), all of which were awarded to "the Children's Center of Brooklyn, New York" for the construction of a facility to house programs for disabled preschool children. The Complaint states that a grant application for FY 2003, in the amount of \$1.5 million, has been withheld by HUD based on the pending investigation.

According to the Complaint, foreclosure actions have been filed by banks with respect to two of the mortgages against the Bais Yaakov property.

BALKANY is charged in the Complaint with theft of government property, filing a false claim, wire fraud and

obstruction of justice. If convicted, BALKANY faces a maximum penalty of 10 years in prison on the theft count and 5 years in prison on each of the counts for false claims, wire fraud and obstruction.

BALKANY was presented today before United States Magistrate Judge GABRIEL GORENSTEIN and released on a \$750,000 personal recognizance bond.

Mr. COMEY praised the efforts of the United States Department of Housing and Urban Development Office of Inspector General, the Federal Bureau of Investigation, the United States Department of Justice Office of Inspector General and the United States Postal Inspection Service in the investigation of this case.

Mr. COMEY said the investigation is continuing.

Assistant United States Attorney EVAN T. BARR is in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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